Supreme Court, U.S.
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No. 97-1567

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

AMERICAN MEDICAL ASSOCIATION,
Petitioner,

vs.

PRACTICE MANAGEMENT INFORMATION CORPORATION,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The Petition of the American Medical Association (AMA) inaccurately states the questions before this Court. For the reasons set forth in this Opposition, the questions properly before this Court are as follows:

1. May the AMA challenge the power of the federal courts to invoke principles of equity in statutory actions even though the AMA did not present any such challenge in the court of appeals or in the district court?

2. Do the federal courts have the power to invoke equitable defenses, such as copyright misuse or unclean hands, to defeat statutory causes of action?

3. Should this Court grant certiorari to reconsider its decisions holding that the misuse defense is not commensurate in scope with antitrust liability?

4. Does the *Noerr-Pennington* defense permit copyright owners to misuse their copyrights in agreements with the government and then sue third parties for copyright infringement?

LIST OF PARTIES TO THE PROCEEDINGS PURSUANT TO RULE 29.6

Pursuant to Supreme Court Rule 29.6, Respondent certifies that it has no parents, subsidiaries, or affiliates.

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INTRODUCTION

The Petition of the American Medical Association (AMA) arises from the same judgment of the Court of Appeals for the Ninth Circuit as the Petition filed by Practice Management Information Corporation (PMIC) in Case No. 97-1254. The AMA's Petition stands in stark contrast to PMIC's Petition.

PMIC's Petition raises the central issue litigated by the parties and decided by the courts below: Whether private authors may use the copyright laws to prevent others, including the government, from publishing the laws and regulations they have written. This issue was briefed and argued extensively by the parties in the courts below. Both the court of appeals and the district court addressed this issue at length in their opinions, with the court of appeals expressly observing that this Court has yet to address the issue. *See* Pet. at 7a.

In contrast, the AMA's Petition raises issues which were addressed only peripherally, if at all, in the courts below. For example, the AMA never even argued below that the federal courts lack the power to invoke equitable defenses to statutory causes of action. Yet, the AMA offers this as its first question presented. Similarly, the court of appeals devoted only two sentences of its opinion to the AMA's second question presented – whether the defense of copyright misuse arises only when the copyright owner violates the antitrust laws. And the court of appeals did not even address the AMA's third question presented – the existence of a commercial exception to the *Noerr-Pennington* doctrine.

The disparity between the parties' Petitions is further illustrated by the views of the *amici curiae* in this case. Seven *amici curiae* presented their views to the court of appeals on the issue raised by PMIC's Petition, indicating

the clear importance of this issue and its centrality to this case. None of the seven *amici curiae* addressed any of the issues now raised by the AMA.

Finally, PMIC's Petition raises a clear split in the circuits over the public's right to publish privately written laws, a circuit split which the parties argued extensively to the court of appeals. In contrast, the AMA's Petition raises no circuit split, nor did the parties even argue over the AMA's purported circuit splits in the courts below. Indeed, the AMA appears to concede in this Court that there is no circuit split over the existence of the defense of copyright misuse. *See* Pet. at 17. Moreover, the purported splits identified by the AMA in its remaining two questions are illusory and not even implicated by this case.

For these reasons, this Court should deny the AMA's Petition. The only Petition this Court should entertain in this case is that of PMIC.

I
THE AMA'S CONSTITUTIONAL ATTACK ON THE COPYRIGHT MISUSE DEFENSE WAS NEVER PRESENTED BELOW

In its first question presented, the AMA challenges the very existence of the equitable defense of copyright misuse. *See* Pet. at i, 2, 9-18. According to the AMA, recognition of this equitable defense amounts to "judicial lawmaking," *id.* at 2, and violates "the separation of powers," *id.* at 9. In support, the AMA cites this Court's decisions in *Atherton v. FDIC*, 117 S. Ct. 666 (1997), *O'Melveny & Myers v. FDIC*, 512 U.S. 79 (1994), *Northwest Airlines, Inc. v. Transport Workers Union*, 451 U.S. 77 (1981), *Texas Indus., Inc. v. Radcliff Materials, Inc.*, 451 U.S. 630 (1981), and *City of Milwaukee v. Illinois*, 451 U.S. 304 (1981), as controlling precedent. Pet. at 9.

This argument is not properly before this Court because the AMA never raised it below. The AMA never even mentioned the phrase "separation of powers" in the Ninth Circuit or the district court. Nor did the AMA discuss the propriety of the creation of federal common law. The AMA did not cite this Court's decisions in *Atherton*, *O'Melveny & Myers*, *Northwest Airlines*, *Texas Industries*, or *City of Milwaukee*, to either the Ninth Circuit or the district court. Indeed, in the courts below, the AMA never cited a single separation-of-powers or federal common-law precedent.

Thus, the AMA deprived both lower courts of the opportunity to pass upon either its separation-of-powers argument or the applicability of what the AMA now calls "a long line of precedents of this Court." Pet. at 10. The AMA has therefore waived this argument and should not be permitted to present it now for the first time. *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 362 (1981); *Husty v. United States*, 282 U.S. 694, 701-02 (1931).

II
THE AMA'S ATTACK ON COPYRIGHT MISUSE IS CONTRARY TO BASIC PRINCIPLES OF EQUITY JURISPRUDENCE

A. The AMA's Attack On Copyright Misuse Is A Challenge To Basic Principles Of Equity And Centuries Of Precedent

The AMA argues that the separation of powers generally prohibits federal courts from applying non-statutory defenses in cases involving statutory causes of action. Pet. at 10-11. Even if this argument were properly before this Court, it would be entirely meritless.

The AMA's assertion defies centuries of legal history and precedent. Since the founding of this country, the federal courts have routinely applied equitable defenses such

as laches, estoppel, and unclean hands to defeat statutory causes of action, and indeed, any cause of action. *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 200-01 (1893) (laches); *Union Mutual Life Ins. Co. of Maine v. Wilkinson*, 80 U.S. (13 Wall.) 222, 233 (1872) (estoppel); *Creath's Administrator v. Sims*, 46 U.S. (5 How.) 192, 204 (1847) (unclean hands).

The defense of unclean hands is especially relevant here. Copyright misuse is merely a species of this venerable equitable defense. *qad, inc. v. ALN Assocs.*, 974 F.2d 834, 836 (7th Cir. 1992); *Supermarket of Homes, Inc. v. San Fernando Valley Board of Realtors*, 786 F.2d 1400, 1408 (9th Cir. 1986). As this Court explained in connection with the closely related patent-misuse defense, patent misuse "is an extension of the equitable doctrine of 'unclean hands' to the patent field." *United States Gypsum Co. v. National Gypsum Co.*, 352 U.S. 457, 465 (1957); *accord Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 193 (1980); *B. Braun Medical, Inc. v. Abbot Laboratories*, 124 F.3d 1419, 1427 (Fed. Cir. 1997); *United Telephone Co. of Missouri v. Johnson Publ'g Co.*, 855 F.2d 604, 610 (8th Cir. 1988) (Re, C.J., sitting by designation).

Moreover, the power of the federal courts to apply non-statutory equitable defenses is beyond question. This Court has repeatedly held that the federal courts possess all the powers of equity, unless Congress expressly revokes them by statute. *See Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 & 320 (1982); *Mitchell v. Robert De Mario Jewelry, Inc.*, 361 U.S. 288, 291 (1960); *Porter v. Warner Holding Co.*, 328 U.S. 395, 398 (1946); *see also Renegotiation Board v. Bannercraft Clothing Co.*, 415 U.S. 1, 19 (1974) ("Congress knows how to deprive a court of broad equitable power when it chooses so to do."). Indeed, equitable principles, especially the defense of unclean hands, are so fundamental that they are commonly invoked *sua sponte* to protect the integrity of the courts and the public

welfare. *See Maltz v. Sax*, 134 F.2d 2, 5 (7th Cir. 1943); 30A CORPUS JURIS SECUNDUM *Equity* § 110 (1992) (collecting cases). By urging this Court to renounce the historical power of the federal courts to invoke equitable defenses, the AMA is seeking a sweeping and unparalleled departure from precedent.

In addition, the AMA's position manifests a deep misunderstanding of the merger of law and equity. Beginning with the enactment of 38 Stat. 956 in 1915, Congress expressly permitted defendants to interpose equitable defenses in all actions at law. Congress continued this practice in 1937 with the adoption of the Federal Rules of Civil Procedure and the complete merger of law and equity. *See A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020, 1031 (Fed. Cir. 1992) (in banc); EDWARD D. RE & JOSEPH R. RE, CASES AND MATERIALS ON REMEDIES 36-37 (4th ed. 1996); *see also* Fed. R. Civ. P. 1, 2, 8(e)(2) (effectuating the merger of law and equity). Thus, contrary to the AMA's separation-of-powers argument, Congress has repeatedly recognized the power of the federal courts to invoke equitable defenses to bar legal or statutory causes of action. Indeed, the federal courts have long recognized that the maxims of equity survived the merger of law and equity and remain valid defenses in actions at law. *See, e.g., Maltz*, 134 F.2d at 5.

Furthermore, adoption of the AMA's argument would require this Court to overturn its most directly relevant precedents – those relating to patent misuse. This Court has developed an extensive jurisprudence of patent misuse. *See Dawson*, 448 U.S. at 179; *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 133-41 (1969); *United States Gypsum*, 352 U.S. at 465; *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 664-68 (1944); *B.B. Chemical Co. v. Ellis*, 314 U.S. 495, 497-98 (1942); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 491-94 (1942). In more recent years, the Court of Appeals for the Federal Circuit,

with exclusive jurisdiction over patent appeals,[1] has continued to apply this defense. *See, e.g., Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 667-69 (Fed. Cir. 1986) (Markey, C.J.).

The AMA all but concedes that it is urging this Court to overrule all of these precedents. Pet. at 9. Plainly, this Court should view with deep skepticism and concern any argument which requires overruling centuries of equity jurisprudence and more than 50 years of this Court's patent-misuse precedents. *Stare decisis* is reason enough to reject the AMA's argument. *See, e.g., Walker v. Armco Steel Corp.*, 446 U.S. 740, 749 (1980). As this Court recently explained in rejecting an invitation to overturn a long line of patent decisions, "the lengthy history" of a legal doctrine "strongly supports adherence" to it. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040, 1048 (1997).

B. Contrary To The AMA's Argument, This Court's Recent Precedents Do Not Bar The Federal Courts From Applying Principles Of Equity

To support its sweeping challenge to judicial power, the AMA argues that this Court's patent-misuse cases, and presumably all cases invoking non-statutory equitable defenses, are inconsistent with a recent line of cases including *Atherton*, *O'Melveny & Myers*, *Northwest Airlines*, *Texas Industries*, and *City of Milwaukee*. Pet. at 9. The AMA completely misunderstands these cases.

The decisions in *Atherton* and *O'Melveny & Myers* involved issues of ***federalism***, not ***separation of powers***. The issue in both cases was whether federal common law would displace ***state law***, not whether a federal court would improperly invade Congress' sphere by invoking an

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[1] 28 U.S.C. § 1295(a)(1).

equitable defense. For example, *Atherton* addressed whether the officers of a federally chartered bank are governed by a federal or state negligence standard. *Atherton*, 117 S.Ct. at 669. Similarly, *O'Melveny & Myers* addressed whether the attorneys who represent a federally insured bank are governed by a federal or state standard of care. *O'Melveny & Myers*, 512 U.S. at 80-81.

In both cases, this Court resolved the questions presented by invoking basic principles of federalism. Relying upon this Court's seminal decision in *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938), this Court held that "there is no federal general common law." *Atherton*, 117 S. Ct. at 670; *O'Melveny & Myers*, 512 U.S. at 83. This Court then explained that it would displace state law with federal common law only where state law conflicts with federal policy. *Atherton*, 117 S. Ct. at 670; *O'Melveny & Myers*, 512 U.S. at 87. Because no such conflict existed, this Court applied existing state common law rather than creating a special federal common law. *Atherton*, 117 S. Ct. at 670-74; *O'Melveny & Myers*, 512 U.S. at 87-89.

These principles of federalism are obviously irrelevant here. Copyright law, unlike the negligence standards at issue in *Atherton* and *O'Melveny & Myers*, is exclusively a federal matter. Congress has already displaced state law in this field. 17 U.S.C. § 301(a); *see also* 28 U.S.C. § 1338(a). The federal courts, by applying federal copyright law and equitable defenses thereto, plainly are not displacing state law.

This Court's decisions in *Northwest Airlines* and *Texas Industries* are equally inapplicable. In these cases, the plaintiffs asked this Court to create a cause of action for contribution among joint tortfeasors who allegedly had violated the federal civil rights laws, *Northwest Airlines*, 451 U.S. at 79-80, and the federal antitrust laws, *Texas Industries*, 451 U.S. at 632. A cause of action for

contribution did not exist at common law, *Northwest Airlines*, 451 U.S. at 86; *Texas Industries*, 451 U.S. at 634, and had not been created by Congress in the civil rights or antitrust statutes, *Northwest Airlines*, 451 U.S. at 91; *Texas Industries*, 451 U.S. at 639.

Citing a long line of decisions, including this Court's landmark decision in *Cort v. Ash*, 422 U.S. 66 (1975), this Court held that it is ordinarily inappropriate for the courts to create a new cause of action when none has been created by Congress. *Northwest Airlines*, 451 U.S. at 90-95; *Texas Industries*, 451 U.S. at 639-40. Once again, this Court did not in any way suggest it was sweeping aside any existing equitable defenses. To the contrary, as discussed above, this Court has repeatedly emphasized that the federal courts retain all of their equitable powers unless those powers are expressly revoked by Congress. *Weinberger*, 456 U.S. at 313 & 320; *Mitchell*, 361 U.S. at 291; *Porter*, 328 U.S. at 398.

Finally, *City of Milwaukee* is also irrelevant to the present case. The question in *City of Milwaukee* was whether the federal common law of nuisance governing pollution in navigable waterways survived the enactment of the Water Pollution Control Act Amendments of 1972. *City of Milwaukee*, 451 U.S. at 307-12. This statute established "a new system of regulation under which it is illegal for anyone to discharge pollutants into the Nation's waters except pursuant to a permit." *Id.* at 310-11. This Court held that the federal common law did not survive because Congress' "establishment of a comprehensive regulatory program" supplanted the common law. *Id.* at 317.

Once again, this case is entirely inapplicable. Congress has not chosen to supplant traditional equitable defenses such as unclean hands, either in general or as applied

specifically to copyright law.[2] If Congress chooses to do so, then, of course, the language of the statute would control, not the pre-existing common law. *City of Milwaukee* says nothing more. Certainly, it does not suggest that federal courts can no longer invoke equitable defenses.

C. The Courts Have *Unanimously* Recognized The Equitable Defense of Copyright Misuse

As a secondary reason for granting certiorari, the AMA asserts that "uncertainty persists" in the lower courts as to the viability of the copyright misuse defense. Pet. at 17. Nothing could be further from the truth.

The circuit courts are unanimous in their recognition of this equitable defense. As the AMA concedes, *see* Pet. at 17, the Fourth, Fifth, and Ninth Circuits have each recognized this equitable defense. *See* Pet. at 9a; *DSC Communications Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601 (5th Cir. 1996); *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 977-79 (4th Cir. 1990). There are no circuit court decisions to the contrary, and the AMA does not even

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[2] In the patent law, as the AMA has noted, Congress has chosen to place statutory limits on the equitable misuse defense. *See* 35 U.S.C. § 271(d). As yet, Congress has not chosen to limit this defense in the area of copyright law.

The AMA sees this as an indication that Congress is satisfied with patent misuse decisions, but disapproves of copyright misuse decisions. *See* Pet. at 15 & n.8. If anything, the contrary is true. Congress codified patent misuse because it believed that some judicial decisions extended this equitable doctrine too far. 134 CONG. REC. S17146, S17146-49 (Oct. 21, 1988); 134 CONG. REC. H10646, H10647-49 (Oct. 20, 1988). In contrast, Congress has not yet expressed any concern over the courts' copyright misuse decisions.

argue otherwise. Thus, there is no circuit split, making this case inappropriate for review by this Court.

Even the district courts are in agreement. The AMA cites only two district court decisions which rejected the copyright misuse defense. *See* Pet. at 17 n.10 (citing *Rural Tel. Serv. Co. v. Feist Publications, Inc.*, 663 F. Supp. 214, 220 (D. Kan 1987), *aff'd mem.*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 499 U.S. 340 (1991), and *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 686 (S.D.N.Y. 1979)). However, both of these district courts have since been persuaded by the Fourth Circuit's decision in *Lasercomb* and now recognize the defense of copyright misuse. *See In re Independent Serv. Orgs. Antitrust Litig.*, 964 F. Supp. 1469, 1476-77 (D. Kan.), *reconsidered on other grounds*, 989 F. Supp. 1131 (D. Kan. 1997); *Coleman v. ESPN, Inc.*, 764 F. Supp. 290, 295 & n.12 (S.D.N.Y. 1991). The other district courts that have addressed the issue are in accord. *See, e.g., National Cable Television Ass'n v. Broadcast Music, Inc.*, 772 F. Supp. 614, 652 (D.D.C. 1991); *qad, inc. v. ALN Assocs., Inc.*, 770 F. Supp. 1261, 1267 (N.D. Ill. 1991), *aff'd*, 974 F.2d 834 (7th Cir. 1992); *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843, 850 (D. Minn. 1948), *appeal dismissed*, 177 F.2d 515 (8th Cir. 1949). Thus, the uncertainty imagined by the AMA is wholly illusory.

III
THE AMA'S ATTEMPT TO LIMIT THE MISUSE DEFENSE TO ANTITRUST VIOLATIONS IS CONTRARY TO THIS COURT'S PRECEDENTS, AND IS NOT THE SUBJECT OF A CIRCUIT SPLIT

The AMA asserts that the equitable defense of copyright misuse should be judged by the heightened legal standard governing affirmative liability under the antitrust laws. Pet. at 18-21. This assertion is meritless for several reasons.

First, the AMA's argument wrongly assumes that the misuse defense is an outgrowth of the antitrust laws. It is not. As discussed above, it is a species of the equitable defense of unclean hands. It would be entirely arbitrary to equate the scope of a defense in equity with the scope of liability under a distinct statute. Equitable defenses are judged by the traditional principles of equity, not by any statutory standard of liability. *Rondeau v. Mosinee Paper Corp.*, 422 U.S. 49, 60-62 (1975); *Atlas Life Ins. Co. v. W.I. Southern, Inc.*, 306 U.S. 563, 568 (1939).

Second, because of the equitable origins of misuse, this Court has expressly held on at least two occasions that patent misuse is not limited by the antitrust statutes. *Zenith*, 395 U.S. at 140; *Morton Salt*, 314 U.S. at 494. As Chief Justice Stone explained for a unanimous Court in *Morton Salt*:

> The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to protect the patent monopoly when [the patent owner] is using it as the effective means of restraining competition with its sale of an unpatented article.

Morton Salt, 314 U.S. at 490. In finding the patent owner guilty of misuse, the Court then reaffirmed that it was not applying an antitrust standard.

> It is unnecessary to decide whether [the patent owner] has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to

> public policy and that the district court rightly dismissed the complaint for want of equity.

Id. at 494. Following this Court's lead, the Court of Appeals for the Federal Circuit has similarly refused to limit patent misuse to statutory antitrust violations. *Senza-Gel*, 803 F.2d 668. The AMA's Petition completely ignores these controlling precedents.

Third, as the AMA appears to concede, *see* Pet. at 19-21, every circuit court which has recognized the defense of copyright misuse has concluded that this defense is not commensurate in scope with antitrust liability. *See* Pet. at 11a (applying an equitable standard and expressly rejecting an antitrust standard); *DSC*, 81 F.3d at 601-02 (applying an equitable standard without mentioning the antitrust laws); *Lasercomb*, 911 F.2d at 978 (applying an equitable standard and expressly rejecting an antitrust standard). Thus, no true circuit conflict can possibly exist.

The AMA nevertheless asserts that a conflict exists between the circuits which have recognized the defense of misuse and those which have not yet squarely addressed the issue. According to the AMA, these latter courts have held that, if ever they were to adopt the defense of copyright misuse, they would limit its scope to antitrust violations. Pet. at 18-19.

This purported conflict is obviously hypothetical at best. If and when a circuit court recognizes the defense of misuse and adopts a standard which differs from the standard uniformly applied by the Fourth, Fifth, and Ninth Circuits in the copyright context, and by this Court in the patent context, then a conflict would exist. Until then, no circuit split exists warranting this Court's attention.

Moreover, even the hypothetical conflict identified by the AMA is based upon a misreading of the cases. The

AMA asserts that the Seventh, Eighth, Tenth, and Eleventh Circuits have each indicated they would limit the defense of copyright misuse to antitrust violations. However, this is simply not the case.

In the Seventh Circuit case, *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191 (7th Cir. 1987), the court was not faced with the broad issue of whether copyright misuse must be judged by an antitrust standard. Rather, the issue before the court was whether an agreement not to contest the validity of a copyright could rise to the level of misuse. *Id.* at 1199.

The Seventh Circuit had already held, at least twice, that a no-contest clause does not constitute patent misuse. *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149, 158 (7th Cir. 1972); *Panther Pumps & Equip. Co. v. Hydrocraft, Inc.*, 468 F.2d 225, 232 (7th Cir. 1972) (Stevens, J.). The Federal Circuit had recently reaffirmed this conclusion in *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001-02 (Fed. Cir. 1986) (Markey, C.J.). In *Saturday Evening Post*, the Seventh Circuit, per Judge Posner, merely adhered to this settled rule, stating:

> We hold that a no-contest clause in a copyright licensing agreement is valid unless shown to violate antitrust law.

Saturday Evening Post, 816 F.2d at 1200.

Judge Posner also explained at length his view that allegations of patent misuse and copyright misuse alike should be measured by an antitrust standard. *Id.* In particular, in a passage quoted by the AMA, Judge Posner wondered:

> If misuse claims [sic, defenses] are not tested by antitrust principles, by what principles shall they be tested?

Id.[3]

However, as Judge Posner conceded for the Seventh Circuit in his earlier opinion in *USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 511 (7th Cir. 1982), this Court has already recognized that misuse and antitrust are not coextensive. Accordingly, Judge Posner recognized that he was obliged to apply a misuse standard not based on the antitrust laws, at least within the "conventional, rather stereotyped boundaries" expressly addressed in this Court's precedents. *Id.* In view of this recognition that misuse is not limited to the antitrust laws, the Seventh Circuit is unlikely to adopt the broad holding attributed to it by the AMA.[4]

The AMA is also incorrect when it asserts that the Eighth Circuit has limited the copyright misuse defense to antitrust violations. In *United Telephone*, 855 F.2d at 611,

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[3] The answer to Judge Posner's question is, of course, that misuse is judged by whether the patent (or copyright) owner has taken any action to "broaden the physical or temporal scope of the patent [or copyright] monopoly." *Blonder-Tongue Labs., Inc. v. University of Illinois Foundation*, 402 U.S. 313, 343 (1971).

[4] It is ironic that the AMA relies so heavily upon the Seventh Circuit's decisions in urging this Court to limit patent and copyright misuse to violations of the antitrust statutes. In its seminal decision in *Morton Salt*, this Court reversed the Seventh Circuit for attempting to engraft a statutory antitrust standard onto the equitable defense of misuse. *Morton Salt*, 314 U.S. at 490, *rev'g, G.S. Suppiger Co. v. Morton Salt Co.*, 117 F.2d 968 (7th Cir. 1941).

on which the AMA relies, Chief Judge Re merely explained that the court:

> found several cases in which courts have noted that the misuse of a copyright, in violation of the antitrust laws, may bar a plaintiff from recovering damages for copyright infringement.

The Eighth Circuit, however, never suggested that copyright misuse was limited to antitrust violations. The court was merely describing the factual patterns of the precedents it found.

Finally, in the Tenth and Eleventh Circuit cases, the defendants argued only that the plaintiffs' alleged antitrust violations should bar the plaintiffs from enforcing their copyright. *Bellsouth Adver. & Publ'g Corp. v. Donnelley Info. Publ'g, Inc.*, 933 F.2d 952, 960-61 (11th Cir. 1991), *rev'd*, 999 F.2d 1436 (11th Cir. 1993) (in banc); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, 290 (10th Cir. 1974). Both courts rejected these arguments on their facts, finding that no antitrust violations had occurred. *Bellsouth*, 933 F.2d at 960-61; *Edward B. Marks*, 497 F.2d at 290. Neither court addressed whether a form of unclean hands other than an antitrust violation would bar enforcement of a copyright. The issue simply was not presented.[5]

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[5] In addition, the Eleventh Circuit panel's *Bellsouth* decision is of dubious precedential value. The Eleventh Circuit, sitting *in banc*, reversed the panel's decision, finding the copyright at issue to be invalid on other grounds. *Bellsouth Adver. & Publ'g Corp. v. Donnelley Info. Publ'g, Inc.*, 999 F.2d 1436 (11th Cir. 1993) (in banc). Thus, the panel's entire discussion of copyright misuse was irrelevant to the outcome of the case.

IV
BECAUSE NO COURT HAS EVER EXCUSED ANY ACT OF MISUSE UNDER THE *NOERR-PENNINGTON* DOCTRINE, NO CIRCUIT SPLIT IS PRESENTED HERE

As its final argument, the AMA asks this Court to grant certiorari to address the existence and scope of a "commercial exception" to the *Noerr-Pennington* doctrine. *See* Pet. at 24-28. This Court should reject the AMA's invitation for several reasons.

A. The *Noerr-Pennington* Issue Was Not Well-Developed Below By The Courts Or The Parties

The issue the AMA now asks this Court to address was not well-developed below. The district court's opinion does not even mention the *Noerr-Pennington* doctrine, let alone a commercial exception to the *Noerr-Pennington* doctrine. *See* Pet. at 12a-27a. The Ninth Circuit addressed the *Noerr-Pennington* doctrine in just two sentences, stating:

> We also reject the AMA's argument that the *Noerr-Pennington* doctrine immunized its actions. Because the AMA did not lobby HCFA to adopt the CPT, the AMA's First Amendment right to petition the government is not at stake.

Pet. at 11a. Like the district court, the Ninth Circuit did not even mention any commercial exception to the *Noerr-Pennington* doctrine.

Similarly, the parties did not address the issue adequately below. The AMA devoted only two paragraphs of its 35-page brief in the Ninth Circuit to the *Noerr-Pennington* doctrine, and never mentioned any commercial exception to the doctrine. *See* AMA Ninth Cir. Br. at 31-32. PMIC addressed the *Noerr-Pennington* doctrine in only

a single paragraph of its reply brief, and likewise never mentioned a commercial exception. *See* PMIC Ninth Cir. Reply Br. at 15. Even on rehearing, the AMA mentioned a commercial exception to the *Noerr-Pennington* doctrine in only a single sentence. *See* AMA Pet. for Reh'g at 13. The AMA cited none of the cases which it now asserts create a circuit conflict.

Thus, this Court lacks the benefit of the careful consideration by the court of appeals, the district court, and the parties. Indeed, it is not even clear that the court of appeals reached the issue now pressed by the AMA. Accordingly, this would be an inappropriate case in which to address the subtleties of the *Noerr-Pennington* doctrine and a possible commercial exception to the doctrine.

B. The *Noerr-Pennington* Immunity Is Not At Issue Here Because The AMA Has Not Been Found Liable For Anything

This would be a wholly inappropriate case to address the commercial exception to the *Noerr-Pennington* immunity for still another reason. The *Noerr-Pennington* immunity, and the alleged circuit split asserted by the AMA, are not implicated in this case.

The cases cited by the AMA, and every *Noerr-Pennington* case PMIC has found, each involved an attempt to hold a party ***liable in damages*** for activities which arguably involved petitioning the government. *See Greenwood Utils. Comm'n v. Mississippi Power Co.*, 751 F.2d 1484 (5th Cir. 1985); *Hecht v. Pro-Football, Inc.*, 444 F.2d 931, 932 (D.C. Cir. 1971); *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25, 27 (1st Cir. 1970). In each of these cases, the court addressed whether the *Noerr-Pennington* doctrine immunized the party from liability. These cases are all consistent with this Court's decisions, treating the *Noerr-Pennington* doctrine as merely

an immunity from liability, usually antitrust liability. *See Professional Real Estate Investors, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 56 (1993).

Here, in contrast, PMIC did not seek to hold the AMA liable for petitioning the government, or for anything else. PMIC did not seek damages or any other affirmative relief. Instead, PMIC merely asserted an equitable defense against the AMA's enforcement of its copyright. PMIC has not been and cannot be awarded any damages for its successful assertion of its misuse defense. *B. Braun*, 124 F.3d at 1427-28.

None of the cases cited by the AMA hold that the *Noerr-Pennington* immunity may be used as a sword to preclude the assertion of a defense. The AMA's attempted use of the *Noerr-Pennington* immunity as a "defense to a defense" is unique to the AMA. For this reason, the alleged split over the scope of the *Noerr-Pennington* immunity identified by the AMA, even if real, has no application to this case.

C. The *Noerr-Pennington* Immunity Is Not At Issue Because The AMA's Misuse Of Its Copyright Implicates No First Amendment Interest

The alleged circuit split over a commercial exception to *Noerr-Pennington* is not implicated by the present case for still another reason. The AMA's misuse of its copyright simply does not implicate the First Amendment interests protected by the *Noerr-Pennington* immunity.

The First Amendment and *Noerr-Pennington* protect and promote efforts to persuade government officials to engage in "lawful state action." *City of Columbia v. Omni Outdoor Advert., Inc.*, 499 U.S. 365, 379 (1991). For example, in *Noerr* itself, this Court reasoned that the government has the authority under the state action doctrine of *Parker v. Brown*,

317 U.S. 341, 350 (1943), to pass laws in restraint of trade. *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 136-37 & n.17 (1961). Accordingly, members of the public have the right to petition the government to enact restraints of trade. *Id. See also Sessions Tank Liners, Inc. v. Joor Mfg., Inc.*, 17 F.3d 295, 298 (9th Cir. 1994) (discussing the relationship between the state action doctrine of *Parker v. Brown* and the antitrust petitioning immunity of *Noerr*).

In contrast, attempts to convince government officials to participate in or tolerate violations of the law are not protected. *See, e.g. In re IBP Confidential Bus. Documents Litig.*, 755 F.2d 1300, 1313 (8th Cir. 1985); *George R. Whitten*, 424 F.2d at 33-34. For example, an effort to obtain a government contract in violation of competitive bidding statutes is not protected by *Noerr-Pennington*. *George R. Whitten*, 424 F.2d at 33-34. Similarly, it cannot seriously be contended that there is a constitutional right to enter into a contract with the government which does not pay the prevailing wage, in violation of 40 U.S.C. § 276a. Nor is there a constitutional right to enter into a contract with the government in violation of public policy. *Town of Newton v. Rumery*, 480 U.S. 386, 392 (1987); *Davies v. Grossmont Union High Sch. Dist.*, 930 F.2d 1390, 1396 (9th Cir. 1991). Under these circumstances, the petitioner is not seeking a change in the law, but a violation of the law.

Here, the AMA asserts a right to enter into a contract with the government in violation of the law of copyright misuse. No such right exists under *Noerr-Pennington* or any other theory. *Noerr-Pennington* permits the AMA to lobby Congress to repeal the copyright misuse defense; but it does not permit the AMA to engage in copyright misuse. For this reason as well, the alleged circuit split over a commercial exception to the *Noerr-Pennington* immunity is

not implicated in this case. Regardless of the scope of *Noerr-Pennington* in the commercial context, the AMA's conduct is not protected.

D. The Circuit Courts Uniformly Hold That Commercial Conduct May Be Immune From Liability Under *Noerr-Pennington*, Depending Upon Its Nature And Character

Finally, the AMA's assertion of a circuit conflict is once again based upon a misreading of the cases. No court has ever recognized a general commercial exception to the *Noerr-Pennington* doctrine. Conversely, no court has ever held that all commercial activity involving the government is immune from liability under *Noerr-Pennington*. Instead, the cases throughout the circuits hold that commercial conduct with the government ***may*** be immune from liability under *Noerr-Pennington* depending upon the specific facts of the case.

For example, in *George R. Whitten*, the First Circuit did not hold that all commercial activity falls outside of the *Noerr-Pennington* immunity, as the AMA asserts. Rather, the court saw the issue before it more narrowly, as whether government contractors could use the protection of *Noerr-Pennington* to sidestep the requirements of competitive bidding statutes. *George R. Whitten*, 424 F.2d at 33. The court concluded that *Noerr-Pennington* does not extend this far, holding:

> the First Amendment does not prevent government from adopting reasonable rules for regulating the conduct of those who seek its favor.

Id. at 33-34 (citing *United States v. Harriss*, 347 U.S. 612, 625-26 (1954)).

Similarly, in *Hecht*, the District of Columbia Circuit did not not create a commercial exception to *Noerr-Pennington*. Rather, the court endorsed the First Circuit's reasoning in *George R. Whitten*. *Hecht*, 444 F.2d at 941. In addition, the court concluded that Congress intended the activities of the specific government agency at issue to be regulated by the antitrust laws. *Id.* at 942-47.

The AMA also misconstrues the Fifth Circuit's decision in *Greenwood*. Contrary to the AMA's assertion, the Fifth Circuit did not hold that *Noerr-Pennington* immunizes all commercial activities with the government. Rather, like the First and District of Columbia Circuits, the Fifth Circuit recognized that some commercial activities are protected and some are not. Thus, the Fifth Circuit held that an exclusive utility contract was protected under *Noerr-Pennington*, *see Greenwood*, 751 F.2d at 1497, but that other commercial activities would not be entitled to immunity. For example, proposing a fact pattern quite similar to the present case, the Fifth Circuit explained:

> If a monopolist uses his market power to dictate the terms of trade to the government, for example, no legitimate petitioning conduct would be involved, and there would be no *Noerr-Pennington* protection.

Id. at 1505.

Thus, the circuit split asserted by the AMA does not exist. To the contrary, the circuit courts have merely acted consistently with this Court's observation that "the applicability of *Noerr* immunity[] varies with the context and nature of the activity." *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 499 (1988). The AMA's alleged circuit split is simply the product of its overgeneralization of the holdings of the cases it cites.

CONCLUSION

The only issues worthy of this Court's attention in this case were presented in PMIC's Petition in Case No. 97-1254. The AMA's Petition presents issues which were not the subject of thorough litigation below, some of which were not even properly preserved for this Court's review. Moreover, unlike the issues presented in PMIC's Petition, the issues in the AMA's Petition are not the subject of significant debate or contention in the courts below and are not directly implicated by this case. Accordingly, the AMA's Petition should be denied.

Respectfully submitted,

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